

INTERVIEW

Alp Keler

Class Assets

TBY talks to *Alp Keler*, CEO of **AK Asset Management**, on leading a thriving market, the place of innovation, and predictions for the future.

TBY AK Asset Management has won awards in Turkey, and is a market leader in most of the areas in the sector. What are the main drivers behind this success?

ALP KELER AK Asset Management is one of the leading active asset managers and the trendsetter in the industry. Our main strength is a combination of our consistent and superior performance, investment process, our innovativeness, and our people. As of today, we manage total funds of around \$5 billion. We are the market leader in pension funds, with a 22% market share, with an approximate value of \$3 billion. We are also the market leader in discretionary portfolio management, with a 26% market share. In addition, we have a very strong position in mutual funds. We have had many firsts in the market. We launched the first gold fund, the first capital-protected fund, the first commodity fund, and the first international equity funds in Turkey.

What are some of the innovative products that you have planned for near term?

The total value of assets under management in the industry is about \$30 billion, which represents roughly 3.5% of GDP. This is set to grow faster due to the new regulatory environment of the capital markets. Regulatory amendments have created greater flexibility for innovative products, such as absolute return products, hedge funds, private equity funds, and real estate funds. There will also be an open platform held in 3Q2014, where funds will be listed for clients to buy directly and easily.

What are the main obstacles facing Turkey's young asset management sector?

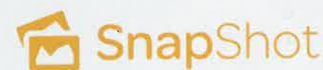
Interest rates are still high in Turkey, and were they to remain at the single-digit level for a couple of years, the asset management sector would grow. Secondly, financial education and investment culture has to be developed among the general public, as Turkish investors have traditionally opted for tangible investments such as real estate or gold. This is an important



problem for us; however, I still believe that as our assets generate greater returns in the long run, demand will increase. When these points come together our industry will have a CAGR of over 30% within the next five years. Turkey's capital markets, such as its equity market, are also young. The total number of stocks trading on the Borsa İstanbul (BİST) is approximately 400. By comparison, South Korea and India have more than 1,000 listed companies. The average free float of Turkish listed companies is at about 30%, and therefore an increased number of listed companies and free float is the key to the development of the Turkish capital markets. The market cap per GDP of the BIST stands at just 35%, whereas the target needs to be between the 60% and 70% level. Of Istanbul's top-500 companies, only 83 of them are listed.

Where do you see the asset management sector within five years?

We predict that 2014 will be a transition year, as numerous factors are changing to which the industry is trying to adapt. Following this transitory period, the industry will have the capacity to reach funds under management of approximately \$70 billion in five years. The important factor here is the asset management/GDP ratio, currently at just 4%. In South Korea or Brazil, this ratio is over 20%. This said, growth has already begun, and under the right conditions will be sustainable. In the mutual fund segment, I am quite positive about the sector's future and believe that



AK Asset Management

- ★ Assets under management: \$5 billion
- ★ Private Pension Fund market share: 22%; market leader
- ★ Discretionary portfolio management market share: 26%; market leader

new international players will enter the Turkish fund market soon. The pension funds play a significant role in increasing the savings rate, and we believe that assets under management will approach \$100 billion over the decade. Turkey has one of the lowest savings rates among countries with a GDP of over \$100 billion. Today, active direct investment accounts in equities on the BIST number just 250,000 and with the help of pension funds the investors' number can increase to 5 million to 10 million indirectly. ●



BIOGRAPHY

Alp Keler has served in his current position since February 2011. Prior to this, he served as the CEO of Fortis Investments Turkey between 2006 and 2011. In addition to his managerial duties in Turkey, he also served as a board member of ABN AMRO Asset Management Inc. in Hong Kong between 2009 and 2010. Before joining Fortis Investments Turkey, he was the Chief Investment Officer of Koc Asset Management from 2002 to 2006. He graduated from TED Ankara College. He received his BSc. degree from METU Civil Engineering Department and has also received an MBA from Bilkent University, a Master of Law in Economics (LLM) from Galatasaray University, and a PhD in banking from Marmara University. He served as a lecturer at Marmara University Institute of Banking and Insurance between 2008 and 2011. He is chairman of the Turkish Institutional Investment Managers' Association (TIKYD) and former president (2006-2008) of the CFA Istanbul Society.

▲ Alp Keler, CEO of AK Asset Management